



Los Angeles County
Board of Supervisors

Hilda L. Solis
First District

Mark Ridley-Thomas
Second District

Sheila Kuehl
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

June 09, 2015

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT TO AGREEMENTS FOR TRAUMA
CENTER SERVICES AND APPROVAL OF REVISED DISTRIBUTION
APPROACH OF MEASURE B FUNDING TO NON-COUNTY TRAUMA
HOSPITALS
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

Mitchell H. Katz, M.D.
Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Medical Officer

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
Fax: (213) 481-0503

www.dhs.lacounty.gov

SUBJECT

*To ensure access to high-quality,
patient-centered, cost-effective
health care to Los Angeles County
residents through direct services at
DHS facilities and through
collaboration with community and
university partners.*

Request approval of an amendment to extend the terms of the Trauma Center Services Agreements, with the exception of the financial terms, with the non-County trauma centers for up to six months effective July 1, 2015 through December 31, 2015, and approval of the proposed revised approach to allocating Measure B funds to the non-County trauma centers, effective July 1, 2015, and authorize new contracts consistent with that revised approach.

IT IS RECOMMENDED THAT THE BOARD:

1. ~~Authorize the Director of Health Services (Director), or his designee, to execute an Amendment to the Trauma Center Services Agreements, with the non-County trauma centers, to maintain their trauma certification for six months, from July 1, 2015 through December 31, 2015 or upon execution of the superseding trauma agreements as set forth in recommendation 3 below, whichever occurs first, with no specific financial terms for the extension period, and with the County trauma centers through June 30, 2016.~~ *Approved on 6-23-15*

2. Approve in concept the proposed revised priorities for the Measure B funds set aside for non-County trauma centers and the revised methodology for



www.dhs.lacounty.gov

allocating those amounts to such facilities as described further below in this board letter, and approve the allocation of Maddy Emergency Medical Services Fund (Maddy Fund) to reimburse unpaid indigent trauma claims and Richie's Fund to enhance pediatric trauma care, both in accordance with state law utilizing similar methodology in place under the existing Trauma Center Services Agreements, effective July 1, 2015.

3. If Recommendation No. 2 above is approved by the Board, delegate authority to the Director, or his designee, to execute superseding agreements with each non-County trauma center that will include specific financial terms based on the revised priorities and methodology and will be effective as of July 1, 2015, for a period of one year, at a cost of no more than \$40 million in Measure B funds, and an estimated \$1.7 million in Richie's Fund dollars and \$2.7 million in other Maddy Fund dollars, for all agreements for fiscal year 2015-16.; and, alternatively, to execute an additional, separate one year agreement to allocate Richie's Fund dollars.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The current agreements between the County and the non-County trauma centers expire June 30, 2015. The current agreements serve two functions: they certify the trauma center's status as a trauma hospital, and they provide for payment for indigent and other trauma services. Funding for such payments comes from several sources, principally Measure B and the Maddy Fund, which includes specialty funds for pediatric trauma program, known as the Richie's Fund. Approval of the first recommendation will authorize the Director, or his designee, to execute amendments to the existing Trauma Center Services Agreements, to continue each hospital's designation as a trauma center and participation in the Los Angeles County Trauma Center System for an additional six months, from July 1, 2015 through December 31, 2015. However, such agreements will not contain financial terms for the payment of indigent or other trauma services during the extension period.

Approval of the second recommendation will approve a revised methodology, based on a new set of funding priorities, for the distribution of the Measure B funds set aside for the non-County trauma centers. The new funding priorities and allocation methodology will be effective July 1, 2015. As described in more detail below, the new methodology involves the creation of a budget for each non-County trauma center which is designed to support certain types of services or expenses. Payments of the budgeted amount will be achieved either directly, or through the use of Measure B dollars to provide the non-federal share of payments by Medi-Cal or other payors. In addition, Maddy Fund dollars will continue to be paid for unpaid indigent trauma claims, subject to state law and Richie's Fund dollars will continue to be paid to enhance pediatric trauma care services. The allocation of such dollars among the non-County trauma centers will be done using a similar methodology to the one that exists under the current Trauma Center Services Agreements.

Approval of the third recommendation will delegate authority to the Director, or his designee, to execute superseding Trauma Center Service Agreements with each non-County trauma center that will incorporate an assigned annual budget based on the revised methodology. The aggregate amount of Measure B money in the Agreements shall not exceed \$40 million. It is possible that DHS will provide for payment of Richie's Fund dollars under a separate agreement. The superseding agreements (and possibly new Richie's Fund agreements) will be retroactively effective July 1, 2015, superseding the amendment described in Recommendation No. 1.

DHS shall report back to your Board on the implementation of the funding methodology midway through the contract year for these new agreements (February 2016) and again prior to contract year

end.

Implementation of Strategic Plan Goals

The recommendations support Goal 1, Operational Effectiveness/Fiscal Sustainability, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

The Trauma Center Services superseding Agreements are funded by the Measure B tax and the penalties that are assessed for the Maddy Fund. Funding is included in the Department of Health Services (DHS or the Department) Fiscal Year 2015-16 Recommended Budget and will be requested in future fiscal years.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Measure B Funds

Measure B, passed by the voters on November 5, 2002, authorized the County to levy a tax on structural improvements within the County, in part, to provide funding to strengthen the Los Angeles County trauma network, particularly those trauma hospitals operated by the County, and if possible expand it. Subsequent to Measure B's passage, the Board approved a proposal to allocate Measure B funds among the non-County trauma hospitals in proportion to the value of trauma-related care for uninsured patients. In addition, a payment to reimburse trauma hospitals for costs associated with serving as a base hospital in the Emergency Medical Services system was also approved.

Since the implementation of the Affordable Care Act (ACA), there has been a dramatic reduction in the number of individuals without some form of health coverage within Los Angeles County. As a result of the expansion of Medi-Cal and private insurance coverage, the County has the opportunity to revise the allocation of Measure B and other dollars among non-County trauma hospitals in a way that would strengthen the trauma network. In preparation for this planned change, DHS finance staff have been meeting with executive and finance leadership from the non-County trauma hospitals since early 2014, reviewing workload and financial data and discussing possible changes to the allocation methodology under which these hospitals receive available Measure B funding.

After considering these discussions and the financial data from the first year of the ACA's coverage expansion, DHS requests that the Board approve the following approach to allocating Measure B dollars. In determining the amount of such funds to allocate to each hospital, DHS will consider any federal matching funds that may be obtained by that hospital, projected payments of Maddy Fund dollars and any limitations imposed by the source of the funds:

- 1) The County will continue to divide Measure B revenue into separate pools for County operated hospitals and non-County trauma hospitals due to the different legal responsibilities and mechanisms for financial reimbursement for County vs. non-County hospitals. Historically, approximately \$40 million (without consideration of federal funds drawn down by such Measure B dollars) has been available in the pool for the non-County trauma hospitals. The first priority in the next several years will be to assure that the non-County trauma hospitals as a group continue to receive the same level of Measure B funds.

2) Each hospital will be assigned a budgeted amount of Measure B. The budget will be based on prior period data, and will strive to do the following, in order of priority:

- a) Assure that the trauma center is paid reasonable unreimbursed costs associated with trauma-related care provided to uninsured patients.
- b) Assure that the trauma center is reimbursed reasonable fixed costs related to maintaining trauma center designation, including maintaining specialist call panels, employing certain administrative staff and other requirements as stipulated by the County's trauma service agreements.
- c) Provide support to non-County Lanterman-Petris-Short- (LPS) designated hospitals operating emergency departments that treat and stabilize individuals in psychiatric crisis.

Priorities 2(b) & (c) are based on the availability of funds. We propose to fully fund priority 2(a) (reduced by an estimate of the amount that will be paid to each hospital from the Maddy Fund), then, based on availability of funds, as much as possible of priority 2(b), and then priority 2(c). If funding remains after payment of priority 2, the Department proposes using the remaining funds in the non-County trauma hospital pool for trauma-related one-time needs or other uses that are in the best interests of the LA County-wide emergency services network. These additional one time or other uses would be presented to the Board for approval.

Adoption of the above methodology will ensure that non-County trauma hospitals receive support for the reasonable costs of maintaining trauma center status and the reasonable direct costs of providing trauma-related clinical care to residually uninsured individuals within LA County. Also, if there is funding available after Priorities 2(a) and 2(b) have been accomplished, the Department believes that payments to non-County LPS-designated hospitals will provide an appropriate incentive to expand capacity which would mitigate the current overcrowding of emergency departments that treat and stabilize individuals who need psychiatric care. If new hospitals are added to the trauma network, the County will provide funding, separate from the non-County trauma center pool, for their reasonable start-up costs.

The Department sent surveys to each of the non-County trauma centers requesting data for the time period of July 2014 through March 2015. On May 28, 2015, the Department received the last remaining completed survey. Over the course of the next two to three months, the Department plans to work with each trauma hospital to validate the survey information that it has received, complete its evaluation, and then execute the superseding trauma agreements, effective July 1, 2015. Using the priorities and methodology described above, each non-County trauma center will be assigned an annual budget based on values derived from this data. If Recommendation No. 3 is approved by the Board, the Department will then execute superseding agreements with each of the non-County trauma centers that will specify the financial terms based on the revised methodology, effective July 1, 2015, subject to prior review and approval by County Counsel and with notice to the Board and Chief Executive Office. DHS anticipates that the revised methodology will result in a better distribution of the Measure B funds, the Department would like to have it effective for the entire 2015-16 fiscal year.

The Department intends to collect data from the non-County trauma centers on an annual basis and to develop the budget amounts for future extension periods using the priorities described above based on that updated information, subject to the availability of funds.

Beyond allocation of Measure B funds specifically, in an effort to maximize resources available in Los Angeles County, the Department has made every effort to secure federal matching funds for Measure B dollars where permissible. DHS will continue to work with the State to maximize the federal matching funds that can be drawn down using Measure B dollars, and when developing each

non-County trauma center's budget, will consider the effect of possible federal funding. Because various trauma centers are treated differently under Medi-Cal, and have different payment systems and limits, the amount of federal funding that could be accessed will be different for each trauma center. According to the rules set forth in the State of California's State Plan Amendment for Enhanced Payments to Trauma Hospitals (Trauma SPA), only private hospitals are presently permitted to receive supplemental Medi-Cal trauma-related payments, which are funded by Measure B and federal matching funds. District hospitals (i.e., Antelope Valley) and designated public hospitals (i.e., University of California) are not allowed to receive such supplemental Medi-Cal payments. While other barriers to accessing additional federal matching funds exist (e.g., federal upper payment limits for district hospitals), the Department is committed to advocating for changes in the Trauma SPA that are needed as a prerequisite for all non-County hospitals to someday have access to supplemental Medi-Cal trauma payments. In addition to changing the Trauma SPA language to allow public hospitals to receive Medi-Cal supplemental trauma payments, the Trauma SPA must also be amended to allow supplemental Medi-Cal payments, including federal funding, to be used for psychiatric emergency and crisis stabilization services.

Maddy Funds and Richie's Funds

The County has been levying additional fines for certain offenses, as permitted by Government Code section 76000.5 and Health and Safety Code section 1797.98a, and have been placed in the Maddy Fund for use for trauma and emergency services. A portion of the money in the Maddy Fund is designated by statute for the support of pediatric trauma programs and are segregated in the Richie's Fund. The other Maddy Fund dollars are available to support trauma and emergency services provided by hospitals and physicians.

Maddy Fund dollars will be paid to offset a portion of unreimbursed indigent trauma days. Richie's Fund dollars will be used to enhance pediatric trauma care. The methodology to allocate these two types of dollars will continue in a similar manner as it exists under the current Trauma Center Services Agreements.

CONTRACTING PROCESS

N/A.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendations will ensure the non-County trauma centers continue their participation in the trauma network and continue to provide necessary trauma services.

The Honorable Board of Supervisors

6/9/2015

Page 6

Respectfully submitted,

A handwritten signature in black ink, reading "Mitchell Katz". The signature is written in a cursive, flowing style.

Mitchell H. Katz, M.D.

Director

MHK:adb

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors